

David Heindel

From: Chuck Fancher [fancherco@msn.com]
Sent: Tuesday, December 15, 2009 4:18 PM
To: David Heindel; Natefishkin@aol.com
Subject: Development Proposal

David, it was a pleasure speaking with you about Downtown Morgan Hill. It is impressive how much the City has accomplished in pre-development towards setting the stage for its new town center. Based on the information provided by the City on its web site, Nate and I feel that the project is on the right course in seeking to provide an organic, resident-friendly mix of services, restaurants, retail and entertainment, in concert with significantly denser housing, at this transit hub. The current and projected demographics appear to support the viability of this undertaking. We are thinking that a more thematic approach may be warranted, but that would warrant further investigation and discussion.

Nate and I are experienced in creating such special places and interested in working with the City to carry forward and complete its vision. Based on our work in the region, particularly Santana Row and Millbrae, we understand its aesthetics and see this project sharing the charm and character of places such as Main Street Los Gatos, Saratoga Avenue and Menlo Park. Also, we maintain a strong professional support network in San Francisco and the South Bay.

Due to the current upheaval in the financial markets, slow down in tenant expansion and our recent involvement in two similar projects in which we invested significant time, money and resources only to see the projects suspended because of the economy, we feel that the RFQ process is not suitable for us. Instead, we propose that the City hire F+F Development on a fee basis. F+F would work with the City, using City funds and credit, to build Lot A and others as leasing and financing allows. The City would participate in the development as a partner, a position in which we think that you will arrive regardless of your approach. We would establish baseline pro forma investment returns and F+F could earn additional compensation if we better expectations. If the City were to ultimately opt not to stand in as a developer partner, we will work to find other qualified companies to buy and develop the properties. Down the road, as capital markets return, F+F could eventually be a buyer/developer, but not presently. Given the current state of the markets, we suggest that the City may be best served by proceeding as we are proposing.

Brower Miller & Cole will be forwarding a digital summary of our experience. We appreciate the opportunity to present this proposal and we are available to discuss it in person with you and members of the Council.

Thank you and best wishes, CHUCK FANCHER

Charles E. Fancher, Jr.

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PROFILE



D E V E L O P M E N T

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DEVELOPMENT

F + F Development is deeply experienced in developing high-quality, pedestrian-friendly, immersive retail and mixed-use environments that are warmly embraced by the communities they serve. We function on the belief that together communities and developers “are capable of creating great places that are truly worthy of our affection.” On each project we work, that is our guiding principal.

F+F works as a master developer, bringing to each project a unique team it considers best suited for success. We put laser focus on project and site planning, architectural design and detail, development execution and capital structuring. Our teams are composed of dedicated, enthusiastic and creative people, richly experienced in applicable disciplines, including:

- * Mixed-use master planning and development implementation;
- * Retail, residential and commercial development in a large range of densities and product types;
- * Feasibility analysis, financial structuring and venture organization;
- * Retail merchandising and leasing;
- * Community relations and neighborhood outreach.

F+F is committed to quality projects, innovation and operating with integrity. We are committed to the principals of environmental sustainability and green development. Our knowledge of the marketplace and the retailer supported by our “placemaking” skills and development abilities, make F+F a leader in this specialized development niche.



DEVELOPMENT

A sole purpose development entity will be formed and managed by F+F who will lead the planning and implementation of the project and have primary responsibility for overall architectural design, streetscape & public space design, and coordination with the City for the cinema, retail, commercial and residential components.

F+F evolved as a response to the dearth of mixed-use developers focused on the retail component. We bring complementary talent and relationships to work effectively in creating a mixed-use setting where the retail component sets the project tone. Most often it is the most profitable component of a mixed-use project that is the driver of development decisions. That component is rarely retail. The result is common storefronts fronting sidewalks and streets that are dreary, unenergetic, automobile oriented and pedestrian unfriendly. F+F takes the opposite approach. Our plans start and end with the street fronts and public spaces that are vibrant, articulated and friendly, and with retailers that are symbiotic with this environment, in order to create a unique sense of place.

While typically applied to urban “in-fill” locations, this model also can be successfully implemented in quasi-urban settings having suitable characteristics, such as Morgan Hill. Examples are Santana Row in San Jose and University Place Town Center in Tacoma, WA, where principals of F+F were instrumental in master planning and development programming. Each of the principals of F+F bring different and complimentary development expertise to the team. Cumulatively the principals have over 50 years of corporate and entrepreneurial real estate development and leasing experience.

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D E V E L O P M E N T

Charles E. Fancher, Jr.
Partner

Chuck Fancher is the principal directing Fancher Partners LLC, a retail and mixed-use development and acquisition firm based in Irvine, California. The firm focuses on retail centers to include mixed-use properties having retail as a major component. Either ground-up new development or repositioning of existing properties are desired. FP seeks development opportunities as a principal or as a fee developer and provides selective consulting services related to the same. Lennar Communities, BRE Properties, Madison Marquette Retail Services, RREEF Real Estate, and JMI Realty Inc. (San Diego Petco Ballpark master developer) are representative partners or clients. Fancher has joined with Nate Fishkin, formerly of Federal Realty Investment Trust, to create F+F Development, specializing in mixed-use urban in-fill projects.



Current FP projects underway include the 485,000 sf mixed use Millbrae BART transit station development in the San Francisco Bay area with BlackRock and Lincoln Property Company of Dallas; the redevelopment of a 500,000 sf enclosed regional mall in Myrtle Beach, SC and the redevelopment of the 565,938 sf Manhattan Village mall/strip in Manhattan Beach, CA.

Prior to founding his firm in 2000 in California, Mr. Fancher developed more than 10 million square feet of retail properties including regional malls, power centers, lifestyle centers and mixed-use projects in his positions as (a) President of Entertainment, Inc., the real estate development subsidiary of AMC Theaters; (b) President of Ben Carter Properties of Atlanta (1.8 million square foot Mall of Georgia in a joint venture with Simon Property Group); (c) Senior Vice President, community centers division of Homart Development Co., the development subsidiary of Sears which was sold to General Growth in 1995; and (d) as a partner in FMP Development in Knoxville, TN.

Mr. Fancher received a five-year degree in City Planning from the School of Architecture at the University of Virginia. Following his graduation, he spent 7 years with three public/private urban redevelopment entities on the East coast. He is active in the Urban Land Institute and the International Council of Shopping Centers. Fancher lectures in real estate development at the University of Virginia School of Law, Professor T.R. White.



D E V E L O P M E N T

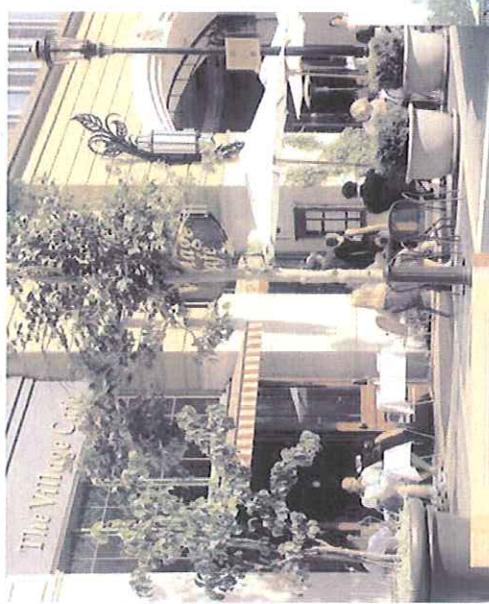
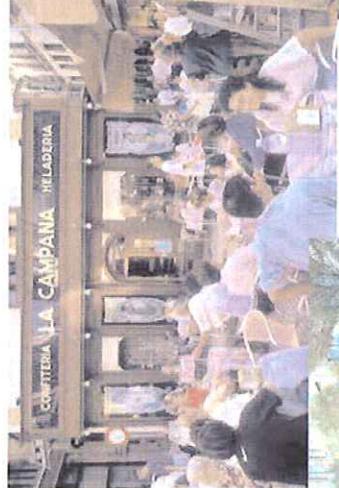
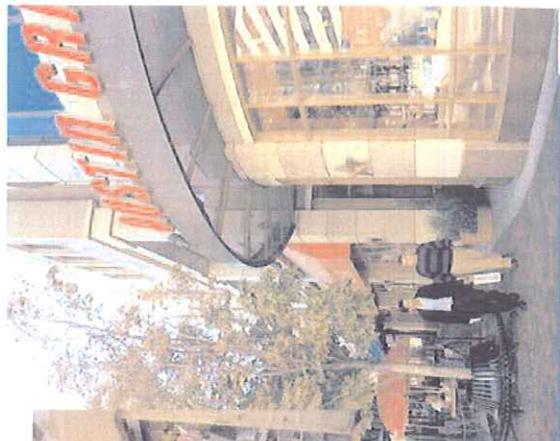
Nate Fishkin

Partner

Nate Fishkin is an independent real estate consultant and investor, principal of Avenue A Realty Advisors, and member of High Street Properties, LLC, an investment firm with substantial capital resources for several years. From February 1985 through March 2003, Nate was a principal of Federal Realty Investment Trust (NYSE: FRT), in the business of development and redevelopment of retail and mixed-use properties from coast-to-coast. Generally recognized as owning the highest quality retail portfolio among its public peers, FRT is considered the originator of highly merchandised, life style retail venues. When Nate joined FRT, it employed fewer than 10 people with a portfolio of 30 properties and an asset value of \$200 million. Today, the company employees 200 people, owns more than 120 properties and its assets exceed \$2 billion. In 1994, FRT embarked on a business plan designed to identify, acquire and redevelop retail and mixed-use properties in downtown locations. As Managing Director of Street Retail, Inc., Nate became deeply involved in the acquisition, planning, design, development, leasing and management of FRT's "Main Street" portfolio, considered one of its visionaries, and chiefly responsible for the retail income side of this business. This program is widely considered to be the catalyst of and model for town center and selective urban infill redevelopment throughout the country. Much of FRT's strategy in Southern California was accomplished by backing and partnering with the CIM Group, now an accomplished, independent "main street" developer.

From 1998 until its opening in November 2002, Nate spent much of his time on the development of Santana Row in San Jose, California, a mixed-use, ground up development built on a village grid design. In 1996, Nate was part of the team that acquired this 42-acre shopping center and was intimately involved in its planning, zoning, marketing, development execution and operation. SR totals 700,000 sf of retail, 1200 residential units (most above the retail), and two hotels. On the heels of a deep national recession, the bust of technology in Northern CA, the events of 9/11, and a devastating fire that wiped out 250 residential units above a retail building which delayed the project opening by 3 months, SR opened with nearly 90% of the first phase retail leased and at an ROI exceeding expectations. There is a wide selection of national, regional and local merchants purposely selected to create an eclectic and unique tenant offering. Winner of many national and international design awards, today SR is considered a model for smart growth and infill redevelopment.

Nate is a frequent speaker on the subjects of smart growth and new urbanism at events for ULI, ICSC, CNU and others. A practicing trial attorney prior to his career at FRT, Nate's law degree is from Georgetown University Law Center and his undergraduate degree is from the Pennsylvania State University.





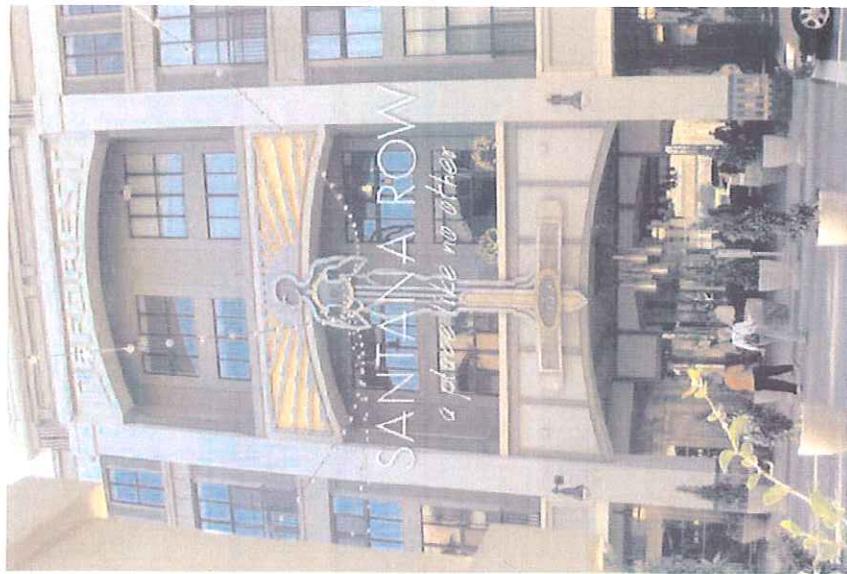
Santana Row
San Jose, California

Featuring 528,000 sf of luxury, lifestyle, and "new concept" boutique retail, 14 full service restaurants, and a 213-room world class hotel in a setting of outdoor cafés, public parks, gardens and plazas.



Tenants include:

Anthropologie
Burke-Williams Spa
Crate and Barrel
Left Bank Bistro
Urban Outfitters...

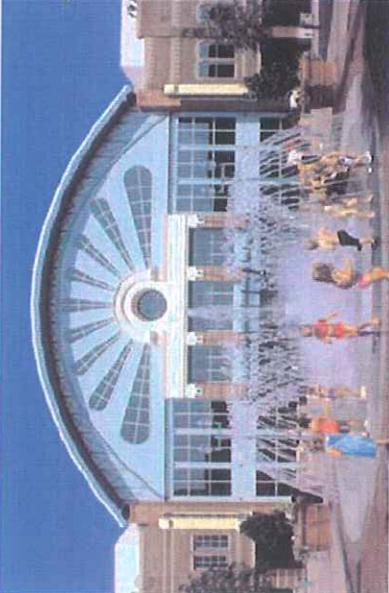
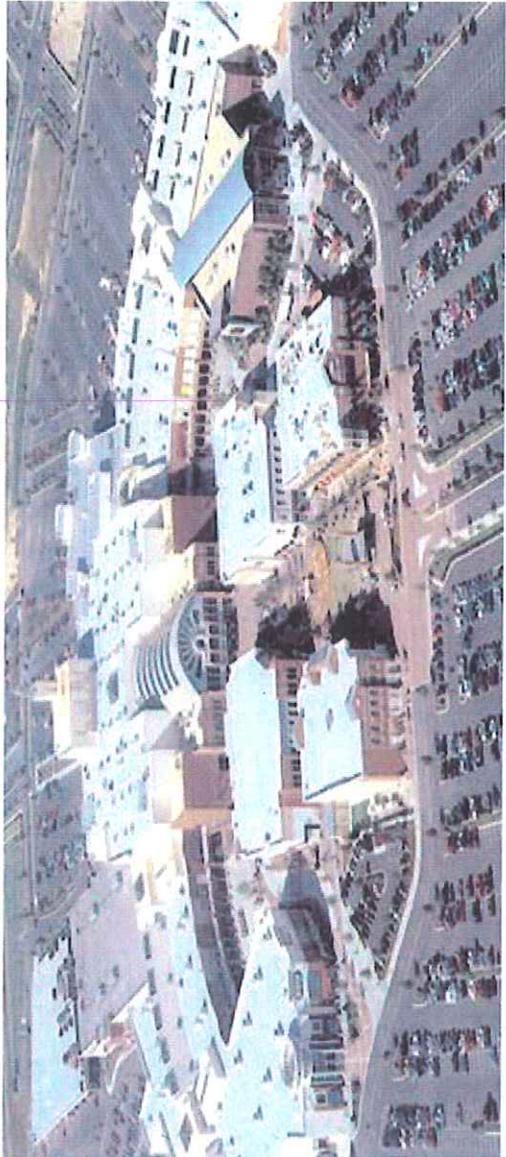
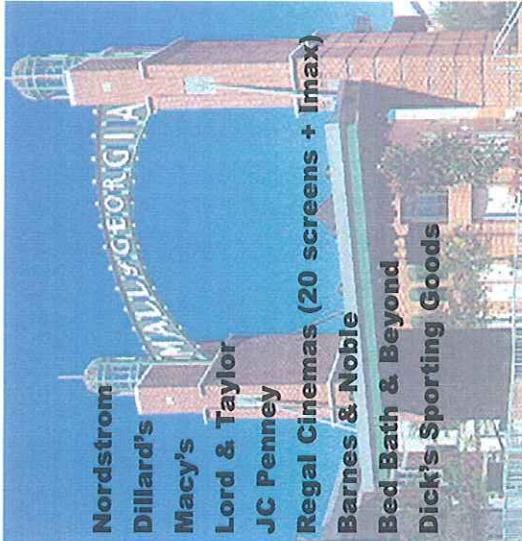




Mall of Georgia

Northeast Atlanta, Georgia

1,793,413 square foot regional enclosed mall. Three level core, two level wings, open-air single level village with 8,384 parking spaces, a portion of which is decked. The plan was conceived as an enclosed multi-level mall in its primary "horseshoe" shape providing for five major department stores, 225 shops and restaurants and a "village" open-air lifestyle center component. The Mall of Georgia opened in 1999.



Fancher was President of Ben Carter Properties, developer of the Mall of Georgia in a joint venture with Simon Property Group.

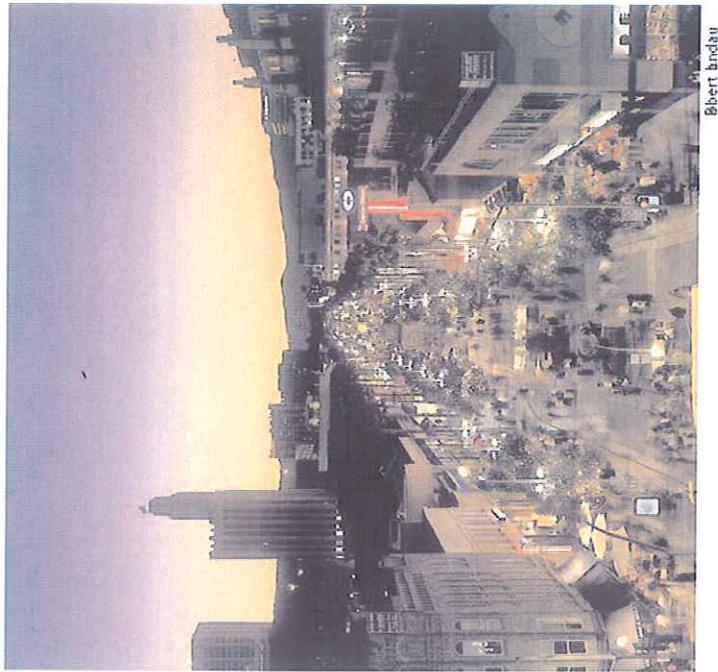


Third Street Promenade
Santa Monica, California

As a partner in a major property ownership entity, over 200,000 sf of new lifestyle retail was added making the 3-block area one of the most successful retail districts in the United States.

Tenants include:

Banana Republic
J.Crew
Sephora
Steve Madden Shoes...

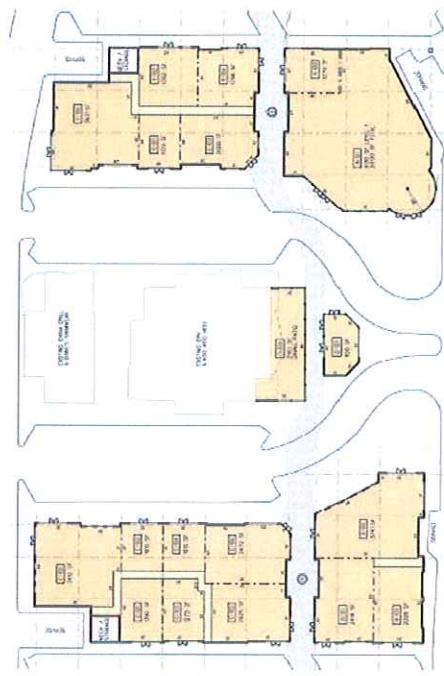
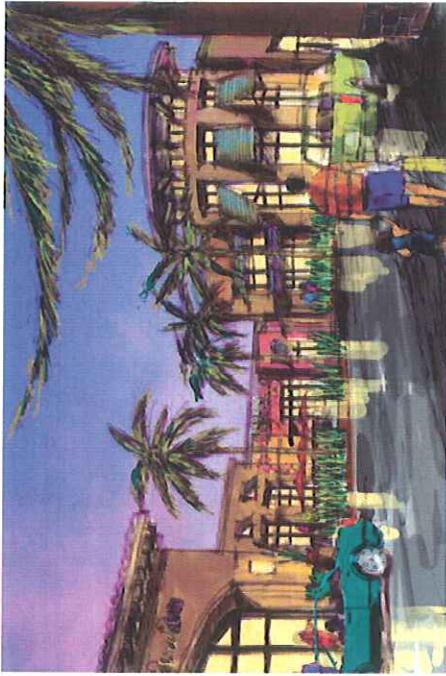


Manhattan Village Shopping Center Manhattan Beach, California

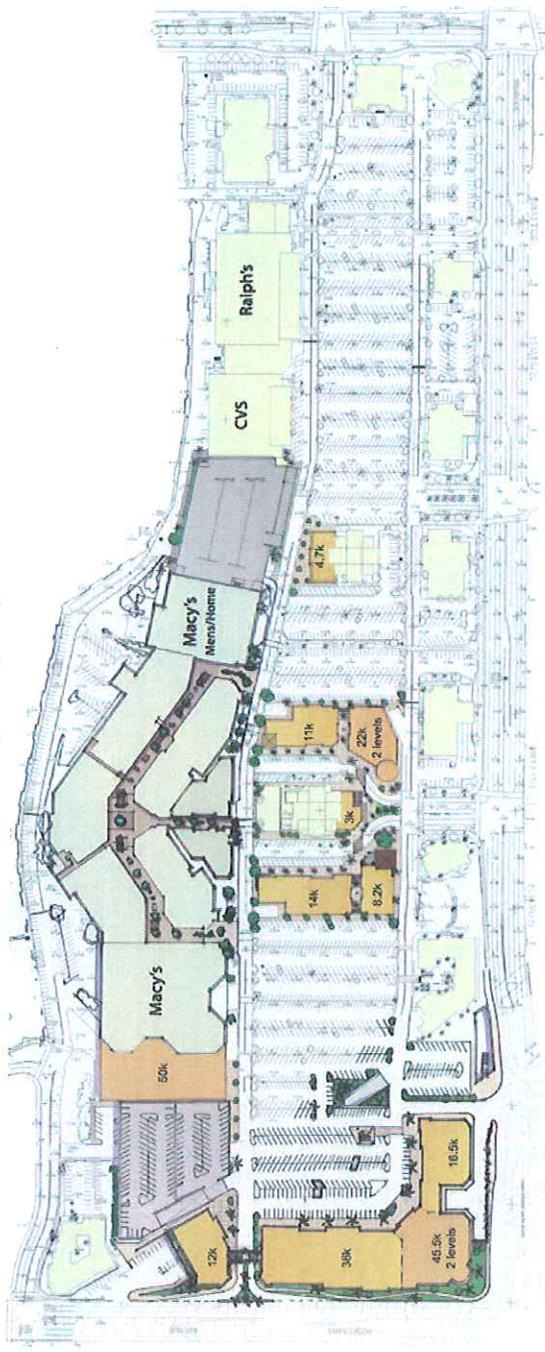
Manhattan Village Shopping Center is the primary enclosed regional mall and community center serving Manhattan Beach and adjoining beach communities in the South Bay region of Los Angeles.

The property has evolved over the years into an upscale, enclosed Mall anchored by two Federated department stores and upscale lifestyle retailers. Ralph's grocery and CVS Pharmacy anchor an open-air community center component and free-standing restaurants, banks, and office buildings.

Fancher Partners, LLC is retained by MVSC owner RREEF Fund and Deutsche Bank AG as fee developer of the 200,000 square foot expansion, which includes guiding the EIR and zoning amendment process. The expansion will add an open-air 58,000 square foot Village Shops "wing" to the enclosed Mall, expand Macy's by 50,000 square feet and redevelop an existing 46,200 square foot component into a 110,000 square foot free standing center.



The Village Shops Expansion





D E V E L O P M E N T

Millbrae Station Pavilion

Millbrae, California

Millbrae Station Pavilion is a 485,000 square foot mixed-use development, incorporating office, retail, restaurant and cinema components. The project is comprised of two six-story buildings, built over two levels of subterranean parking of 1,135 parking spaces. A major public space, Station Square, links the two Pavilion buildings and the adjacent BART/ Caltrain train station (with connection to the SF Airport) with the downtown area of Millbrae.

Fancher Partners and venture partner, Phoenix Property Co., Dallas, control the majority of the 8 acre site and intend to move forward on construction when the capital and tenant markets improve.

- 93,750 sf office & 225 resi. units
- 47,000 sf Cinema
- 93,000 sf retail & restaurant





Albemarle Place

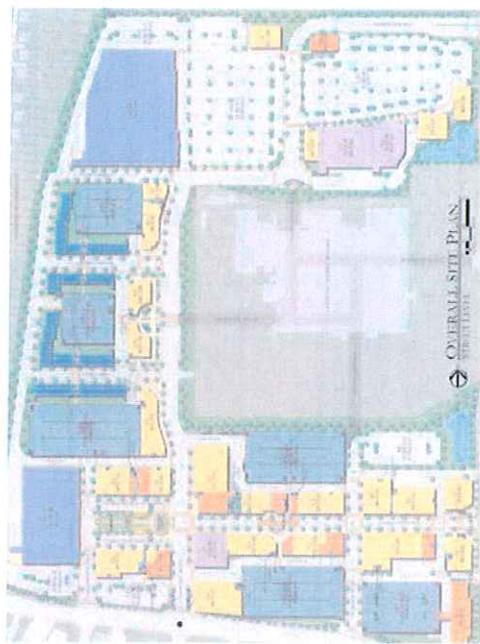
Charlottesville, Virginia

1.7 million square feet, mixed-use, presently being developed by Edens & Avant of Columbia, SC. The project is composed of vertical "main street" residential/office over retail, with a hotel component and adjacent hybrid "big box" center.



ALBEMARLE PLACE TOWN CENTER COUNTY OF ALBEMARLE, VIRGINIA

- 625 Residential units
- 729,000 SF retail
- 258,765 SF office
- 77,782 SF Hotel



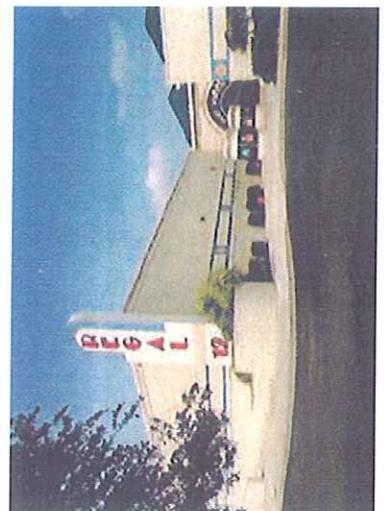
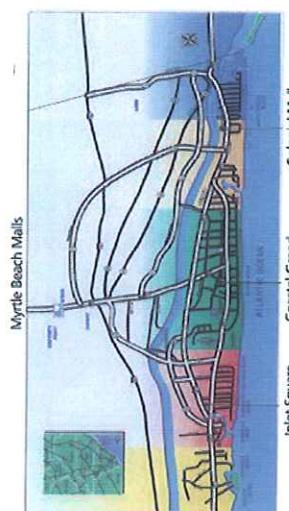
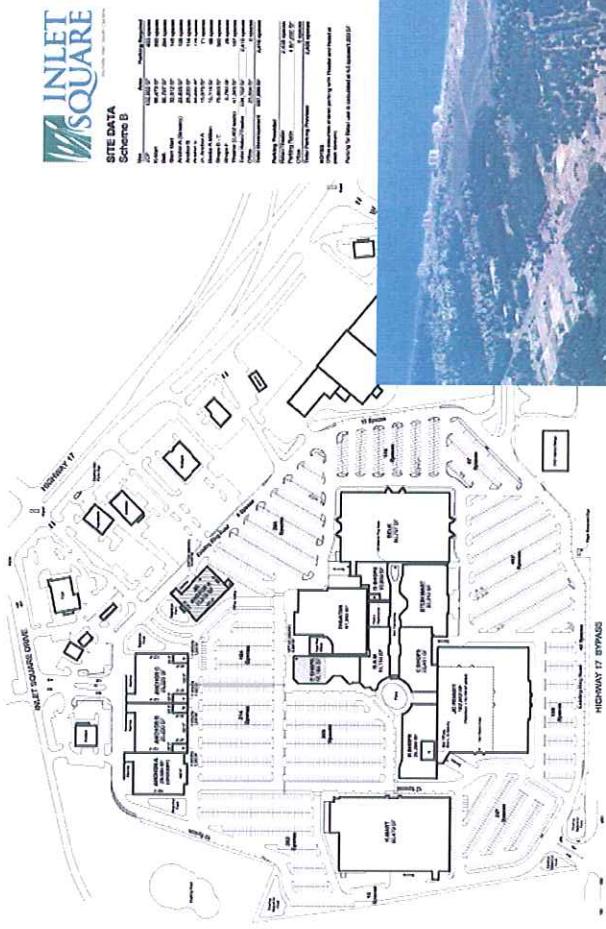
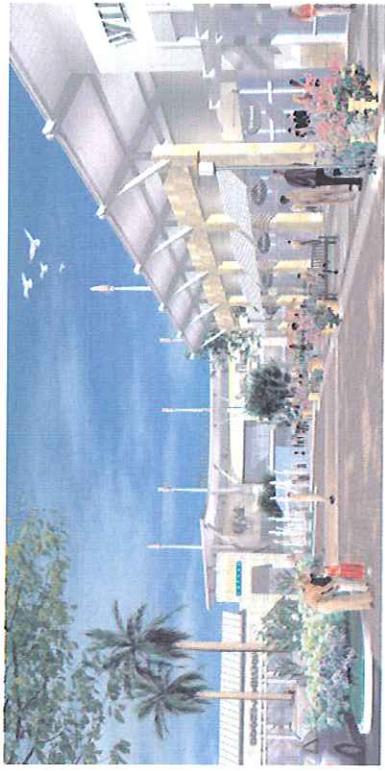
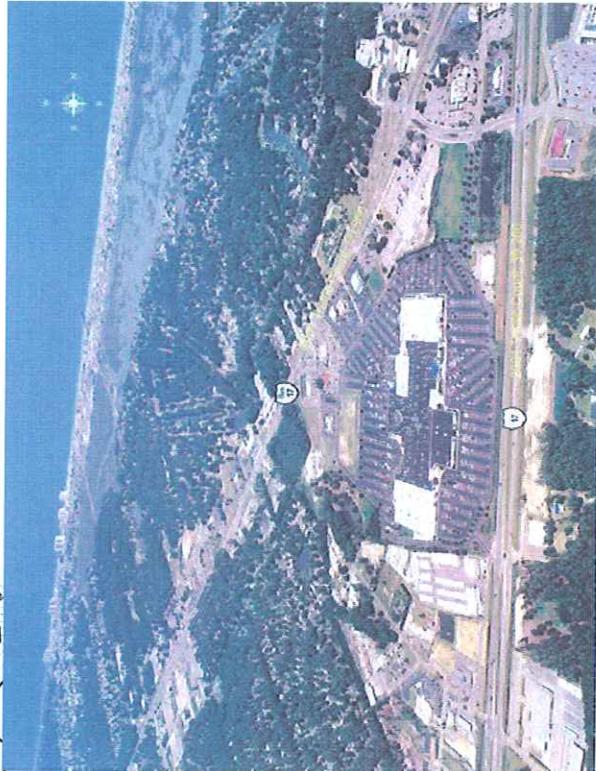
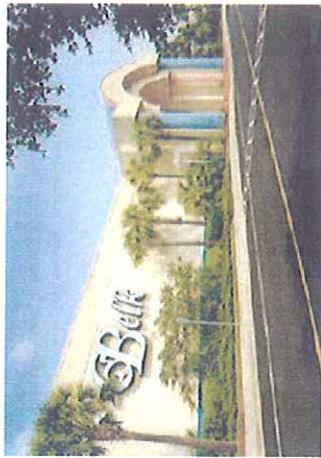
Fancher directed the concept design, site planning, economic modeling and entitlements for the Chicago property owner, prior to the sale of the project to Edens & Avant.

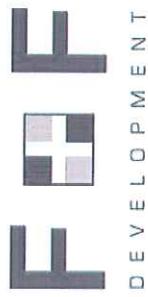


Inlet Square Mall Myrtle Beach, South Carolina

In the Fall of 2005 F+F purchased the 434,535 square foot enclosed mall located in the South Strand area of Myrtle Beach, South Carolina known as Murrell's Inlet. The southern-most of three regional malls in the Myrtle Beach market, the Mall is anchored by JC Penney, Kmart, Belk's Department Store, Steinmart, Books-A-Million and a 12 screen Regal Cinemas. In 2008, the Mall was partially renovated and anchor Steve & Barry's was added for a brief period until it filed bankruptcy. F+F disposed of the property in 2009.

Inlet Square was managed & leased by Jones Lang LaSalle. Construction by Vratsinas Construction Co. Project architect was Cupkovic Architecture.





University Place Town Center

University Place, Washington

F + F, under ENDA through July, 09 programmed the 13 acre site owned by the City. The parties have suspended as the City explores options.



University Place Town Center



University Place Town Center ("UPTC") will be the civic and commercial center of University Place, an affluent and highly-educated close-in suburb of Tacoma. Located along the ridgeline above Puget Sound, UP enjoys scenic views of the Sound and the Cascade Mountains to the west and north, and Mount Rainier and the Olympic Mountains to east.

UPTC will be a regional magnet, with a target market of over 400,000 people within a 20-minute drive time (165,000 people within 10 minutes). Entitlements are in place for over 300,000 SF of retail, 100,000 SF of office, 500 residential units, and a 250-key hotel. A cinema is likely to be part of the mix. UPTC will contain over 2000 surface and structured parking spaces.



The central retail street, Market Place, civil infrastructure, UP City Hall and the Pierce County Public Library, two of the destination anchors on Market Place, are currently under construction. Market Square, a comfortable public space for gathering and festivals is centered on Market Street. A more intimate public space, leading to the Homestead Park and Botanical Gardens, will be positioned at the south end of the street.





D E V E L O P M E N T

Lifestyle Centers/Retail:

Bethesda Row, Bethesda, MD

Houston Street Buildings, San Antonio, TX

Santana Row, San Jose, CA

Pentagon Row, Arlington, VA

Fair fax Town Center, Fair fax, VA

Friendship Centre, Washington, DC

Third Street Promenade retail, Santa Monica, CA

Old Pasadena retail, Pasadena, CA

Gaslamp Quarter retail, Fifth Avenue, San Diego, CA

Old Town Center, Los Gatos, CA

Albemarle Place, Charlottesville, VA

Ballpark Village, San Diego, CA

AMC/Mixed-use, Burbank, CA

Manhattan Village, Manhattan Beach, CA

Regional Centers:

Mall of Georgia, Gwinnett County, Atlanta, GA

Martin Square Mall, Stuart, FL

Inlet Square Mall, Myrtle Beach, SC

Carillon Place, Naples, FL

Perimeter Pointe, Atlanta, GA

Town Center Prado, Atlanta, GA

Durham Commons, Durham/Chapel Hill, NC

The Marketplace, Knoxville, TN

Pavilion at King of Prussia Mall, Philadelphia, PA

**Project & Development
Experience**
A Partial Listing



D E V E L O P M E N T

Restaurants

Cheesecake Factory
Peet's Coffee
BUCA
Le Pain Quotidien
Rock Bottom Restaurant
Starbucks
McCormick and Schmick
Blowfish Sushi
PF Changs
Yankee Pier
Palamino
Left Bank Bistro
Border Grill
Mangianno's
Sushi Roku

Retail

Abercrombie&Fitch
AMC Theatres
Anne Fontaine
Ann Taylor
Ann Taylor Loft
Anthropologie
Apple Computer Store
Art of Hands
Banana Republic
Bang & Olufson
Barnes&Noble
BCBG
Black Sea Gallery
Bristol Farms
Brooks Bros.
Burberry
Burke-Williams Spa
California Culinary Ac.
Coach
Container Store
Crate&Barrel
Diesel
Ferragamo
Galyan's Sporting Goods
Gucci

Illuminations
The Improv
Indigo Palms
Laemmle Art Cinema
Lather
Limited Express
Kenneth Cole
Nordstrom Dept. Store
Oilili
Polo
Pottery Barn
Pottery Barn Kids
Regal Theatres
Restoration Hardware
Saks Main Street
St. John
Talbot's
Tiffany
Ted Baker
Tommy Bahama
Trader Joes
Urban Outfitters
Whole Foods
Wms-Sonoma
Wolford
Z Gallerie

Tenant Relationships
Partial Listing

Note: Principals of F+F Development
have participated in over 15 million square
feet of retail transactions.